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Georgia to Receive $39.7 Million from MCI Settlement

ATLANTA--Georgia Revenue Commissioner Bart L. Graham and Georgia Attorney General Thurber E. Baker announced Tuesday morning that Georgia, with 14 other states and the District of Columbia, has settled certain tax claims filed in the bankruptcy proceedings of WorldCom, Inc. Under the settlement the states collectively will receive $315 million. Under a pro rata distribution agreed among the states, Georgia will receive approximately $39.7 million on a claim of approximately $43 million in taxes (not including interest and penalties). Both State Revenue Commissioner Graham and Attorney General Baker expressed satisfaction with the settlement.

“This is a highly successful result from our perspective and the result of many hours of hard negotiations,” said Commissioner Graham. "Our inter-departmental cooperation and an aggressive posture early on in the negotiations led to Georgia being a lead negotiator, along with Pennsylvania, Massachusetts and Florida. We intend to enforce tax law vigorously." Baker added, "I agree and have instructed my staff to support the Revenue Department with similar vigor in such efforts. The settlement is the result of successful cooperation between the Department of Law and the Revenue Department and also among the coordinating states. We will remain vigilant for similar opportunities in the future.”

The settlement was reached with MCI, into which WorldCom merged in 2004 under a plan of reorganization approved earlier in the bankruptcy proceedings. The bankruptcy court must also approve the settlement with the states before it takes effect. A hearing is set for October 11, 2005, in New York. Payments to the states will be made when an order approving the settlement becomes final, which could be as soon as 11 days after entry of the order.

The state tax claims concerned “state tax minimization programs” that were identified by an examiner appointed by the bankruptcy court to inquire into WorldCom affairs. The participating states alleged that WorldCom’s imposition of royalty charges upon subsidiaries for “management foresight” of WorldCom’s managers resulted in improper tax treatment. Under the terms of the settlement agreement, the settlement “does not constitute an admission of liability or wrongdoing…”

The participating states besides Georgia are Alabama, Arkansas, Connecticut, Florida, Iowa, Kentucky, Maryland, Massachusetts, Michigan, Missouri, New Jersey, Ohio, Pennsylvania, and Wisconsin, and the District of Columbia.

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